44

INDIAN AIRLINES

MINISTRY OF CIVIL AVIATION & TOURISM

(DEPARTMENT OF CIVIL AVIATION)

COMMITTEE ON PUBLIC UNDERTAKINGS
1995-96

TENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

FORTY-FOURTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1995-96)

(TENTH LOK SABHA)

Indian Airlines—Under Utilisation of fleet; Idle Wages to Flying Crew; Avoidable payment on leased Aircraft; Wasteful Expenditure on Training of Pilots; and Delay in Commissioning of Jet Engine Shop

MINISTRY OF CIVIL AVIATION & TOURISM (DEPARTMENT OF CIVIL AVIATION)

[Action Taken by Government on the recommendations contained in the 33rd Report of the Committee on Public Undertakings (Tenth Lok Sabha)]

Presented to Lok Sabha and laid in Rajya Sabha on 23.8.1995

LOK SABHA SECRETARIAT
NEW DELHI

August, 1995/Bhadra, 1916 (Saka)

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CORRIGENDA TO 44TH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (TENTH LOK SABHA) ON INDIAN AIRLINES

Page	Para	Line	For	Read
4	9	4	understanlding	understanding
6	15	5	is	in
8	-	last	disquietening	disquieting
10	-	28	insuring	ensuring
13	-	18	on	of
14	-	28	spacious	specious

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Forty-Fourth Report on Action Taken by Government on the recommendations contained in the Thirty-third Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Indian Airlines — Under utilisation of fleet; Idle wages to Flying Crew; Avoidable payment on leased Aircraft; Wasteful expenditure on training of pilots; and Delay in commissioning of Jet Engine Shop.

2. The Thirty-third Report of the Committee on Public Undertakings (1993-94) was presented to Lok Sabha on 29th April, 1994. Replies of the Government to all the recommendations contained in the Report duly vetted by Audit were received on 2nd June, 1995. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 27th July, 1995. The Committee also considered and adopted this Report at their sitting held on 27th July, 1995.

3. An analysis of the action taken by Government on the recommendations contained in the Thirty-third Report (1993-94) of the Committee is given in Appendix III.

NEW DELHI;
August 22, 1995
Sravana 31, 1917 (Saka)

KAMAL CHAUDHRY,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Thirty Third Report (Tenth Lok Sabha) of the Committee on Public Undertakings (1993-94) on Indian Airlines — Under utilisation of fleet; Idle wages to flying crew; Avoidable payment on leased aircraft; Wasteful expenditure on training of pilots; and Delay in commissioning of Jet Engine Shop which was presented to Lok Sabha on 29 April, 1994.

2. Action Taken notes have been received from Government in respect of all 21 recommendations contained in the Report. They have been categorised as follows:

(i) Recommendations/Observations that have been accepted by Government.
Sl. Nos. 1—5, 15, 19 and 21.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.
Sl. Nos. 9-10.

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.
Sl. Nos. 6-7, 8 and 20.

(iv) Recommendations/Observations in respect of which final replies of Government are still awaited.
Sl. Nos. 11, 12—14, 16-17 and 18.

3. The Committee are constrained to point out with regret that after the presentation of the 33rd Report (1993-94) in April, 1994, it took the Ministry of Civil Aviation and Tourism (Department of Civil Aviation) more than a year to furnish the audit vetted action taken replies. The action taken replies were required to be furnished by 28th October, 1994. The replies were furnished only on 2nd June, 1995 after repeated reminders. The Committee wish to emphasise that they attach the highest importance to the timely implementation of their recommendations. They, therefore, deprecate this inordinate delay in the furnishing of action taken replies and desire that in future due care should be taken in furnishing action taken replies within the stipulated time. The Committee also desire that final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.

4. The Committee will now deal with the action taken by Government on some of their recommendations.

A. Probe into the role of Committee on resale/lease of aircraft (Recommendation Serial No. 6 & 7)

5. The Committee had observed that IA did not take delivery of 4 aircraft out of a fleet of 19 contracted in 1986, subsequent to the grounding of the entire fleet, following the crash of one aircraft in February, 1990. The Committee took a serious view of the fact that the Government did not take any action for two months on IA's formal request (March, 1990) for appointment of a Committee to conduct negotiations and discussion with Airbus Industries for delaying delivery of the remaining four aircraft. It was only in May, 1990 that the Government authorised the Corporation to take delivery and resell the 4 aircraft and lease the 14 aircraft (grounded earlier) for a period of six months. The Committee were also surprised to find that no time limit was prescribed by Government for the Committee appointed by the Corporation on resale/lease to submit its report or decide the course of action in a matter in which the Corporation was expected to take swift and speedy action. This Committee took nine months to deliberate over the issue and the Ministry did not find it necessary to call for any status reports from the Corporation, when the prime objective of Government in authorising the Corporation to lease the aircraft was to minimise the cash loss being incurred on the grounded aircraft. What was more disappointing was that the Committee on lease/resale decided in August, 1990 that leasing option need not be pursued any further on the specious plea that offers received were below the asking rate of US $ 4.75 lakhs per month per aircraft and the Corporation informed the Government of its decision to this effect only in April, 1991 after a delay of more than eight months. The Committee found that in the ultimate analysis the Corporation lost an opportunity to recover even the cost of depreciation of the A-320 aircraft @ US $ 1.85 lakhs per aircraft per month.

Besides, the apathetic approach of the Corporation and the Ministry coupled with delay in arriving at decisions and reversal of decisions etc. at crucial times resulted in the loss of about Rs. 50 crores which could have been earned had the 14 aircraft been leased even for six months. The Government failed to fix responsibility for the loss in this respect also. The Committee, therefore, had recommended that an inquiry be conducted and they be apprised of the result of the enquiry and the action taken by Government in the matter.

6. In their reply, the Government have stated that a Committee of the Directors of Indian Airlines Board was constituted for leasing of these aircraft. The Committee in their wisdom felt that the sale/lease of Airbus A-320 aircraft need not be pursued. The Committee's report was accepted by Indian Airlines Board. As it was a collective decision of the whole

Board, it is not possible to fix responsibility on the individual members of the Board who were in the Committee.

7. It is disquieting to note that Government have reiterated what they had stated earlier that the Committee of Directors constituted by Indian Airlines for leasing of the A-320 aircraft in their wisdom felt that the sale/ lease of Airbus A-320 need not be pursued. The Committee are distressed to note further that without conducting any enquiry into this aspect as desired by them in their earlier Report, the Government have concluded that individual responsibility cannot be fixed in the matter since this was a collective decision of the whole Board. Since as observed by the Committee in their earlier Report, the Committee appointed by the Board of Directors of Indian Airlines took nine long months to arrive at a decision and its decision resulted in a loss of about Rs. 50 crores which could have been earned had the 14 aircrafts been leased even for six months, they are not at all convinced with such an absurd argument. The apathetic approach of the Government in this matter is also not understandable. It was in this context that the Committee had recommended an enquiry to be conducted in the matter. They reiterate that an enquiry be conducted into the whole affair, responsibility fixed and the Committee apprised of the action taken in the matter.

B. Under-utilisation of fleet

(Recommendation, Serial No. 8)

8. The Committee had expressed distress that there was under-utilisation (June 1989 to January 1990) of the fleet even prior to grounding of A-320 in February 1990. The Corporation could attain utilisation of only 5.7 hours per aircraft against the planned utilisation of 7.7 hours per aircraft mainly on account of industrial unrest and resignation of pilots. The Corporation had incurred a net revenue loss of Rs. 56.23 crores for the period July to December, 1990.

Besides, the exercise of option by the Corporation for purchase of 12 additional A-320 aircraft and the subsequent staggering of their delivery schedule also resulted in cost escalation by about Rs. 53 crores. While taking note of the agreement entered into by Government with ICPA revising the flight duty time limitation enabling pilots to fly longer hours as a measure of improving the capacity utilisation of the existing fleet of A-320, the Committee stressed that handling of the entire matter of under-utilisation of fleet as a result of grounding of A-320, by IA Board was very casual and left much to be desired. They, therefore, had recommended that Government should review the whole matter of under-utilisation of fleet not only in respect of A-320 aircraft but also other aircraft operated by the Corporation particularly in the light of the ever increasing stiff competition posed by private Air Taxi Operators. They further desired Government to strictly implement the mandatory guidelines issued in respect of operation on non-economic routes by all airlines.

9. In their reply, the Government have stated that as desired by the Committee, the Government have reviewed the whole matter of under-utilisation of fleet for all types of aircraft and a Memorandum of Understanlding (MoU) will be signed very shortly with Indian Airlines which will incorporate fleet utilisation also. With effect from 1.12.1994, the Air Taxi Operators who have been granted scheduled airlines status will have to operate on "uneconomic routes" as prescribed in the new guidelines. Deterrent action will be taken against all those operators who do not meet the requirement of providing services in accordance with the guidelines.

10. The Audit in the vetted remarks stated that in terms of the MoU for 1994-95 signed on 21.12.1994, 4% weightage was envisaged for aircraft utilisation. Although the actual performance evaluation of MoU has not yet been done, a test check revealed that cumulative daily utilisation of aircraft was 5.2 hours (A-300), 6.4 hours (A-320) and 5.8 hours (Boeing) between April, 1994 to January, 1995 as against the budgeted cumulative utilisation of 6.2., 6.9 and 5.6 hours respectively.

As regard 'ON TIME' performance it was noticed that as against the primary delays and cancellations and total delays and cancellations at 89.6% and 66.4% respectively in 1993-94, the primary delays and cancellations ranged between 85.9% to 91.4% and 54.7% to 73.7% respectively during January, 94 to January, 1995.

The Company failed to achieve the budgeted operating as well as total Revenue during the period April, 1994 to January, 1995. The cumulative net loss (April, 1994 to January, 1995) amounted to Rs. 198.30 crores against the budgeted loss of Rs. 91.85 crores.

As regard operation by Air Taxi Operators (Private airliners), the Ministry intimated to audit that the all the Air Taxi Operators, who have been granted Scheduled Airlines status and are operating on the trunk routes, are operating on uneconomic routes in North East, Andaman and Nicobar Islands, Lakshadweep and Jammu and Kashmir Sectors.

11. The Government in clarification to the above audit remarks stated that the main reason for the losses of Indian Airlines are the shortage of pilots and industrial unrest. The reasons for the shortfall in the target relating to operations and revenue is also the same.

12. The Committee are not satisfied with the reply of Government. Although the whole matter of under utilisation of fleet is stated to have been reviewed for all types of aircraft operated by IA, the Committee regret to find that no mention has been made in the reply either of the measures Government have taken to remove the widespread negative impression of the public about the services of the Corporation or the corrective steps taken to improve the utilisation of fleet in view of the competitive element introduced after the grant of scheduled airline status of Air Taxi Operators with effect from 1.12.1994. They expect the replies to their recommendations to be complete and expressed in unambiguous terms.

The Committee further note with concern that according to the sample performance evaluation by Audit cumulative daily utilisation during April, 1994 to January, 1995 was 5.2 hours in respect of A-300 and 6.4 hours in respect of A-320 against the budgeted cumulative utilisation of 6.2 hours and 6.9 hours respectively. The 'ON TIME' performance was also not very satisfactory. During January, 1994 to January 1995 the primary delays and cancellation ranged between 85.9% to 91.4% and 54.7% to 73.7% respectively. And to top it, the Corporation failed to attain the budgeted operating as well as total revenue during the period April, 1994 to January, 1995. As against budgeted net profit of Rs. 6.24 crores for January, 1995 the Corporation made a net loses of Rs. 3.70 crores and the cumulative net loss (April, 1994 to January, 1995) amounted to Rs. 198.30 crores as against the budgeted figure of Rs. 91.85 crores. The Committee, therefore, conclude that the all round performance of the Corporation leaves much to be desired. They need hardly stress that all steps be taken in right earnest so as to improve the performance of the Corporation on all fronts. They would like to be apprised of the action taken by Government in this regard.

C. Probe into lease of Aircraft by IA

(Recommendation Serial No. 11)

13. The Committee was dismayed to learn that IA wrongly paid a penalty of Rs. 50.84 lakhs for shortfall in utilisation of an aircraft (TU-154) leased from Aeroflot for one year from May, 1989 to April, 1990 inspite of clear contractual provision that if the lessor failed to make available the aircraft for minimum utilisation of 180 hours per month no penalty was payable by the Corporation. The under utilisation was due to the non-availability of the aircraft. The total shortfall in utilisation was 169.29 hours during the one year period. The Committee's examination had revealed that the lessor had disputed the veracity of the claim of the Corporation on the actual number of flights cancelled due to fault of the lessor. It was also admitted that the records were not properly maintained by the Corporation in this regard which forced it to arrive at a negotiated settlement with the lessor, *i.e.* M/s. Aeroflot.

Not only that, the Corporation had failed to fix responsibility on officers who were responsible for not enforcing the contract correctly. The Committee were unable to comprehend the claim of the Corporation that in the light of the ultimate analysis of the negotiated settlement arrived at with M/s. Aeroflot it stood to gain. They were deeply anguished that the Corporation failed to take any action on the Ministry's directive for fixation of responsibilities in the matter. They desired the Government to take suitable steps to initiate fixing of responsibilty for non-enforcement of the lease agreement and probe into the reasons for not maintaing proper records by the Corporation in respect of this contract with Aeroflot.

14. In their reply, the Government have stated that action regarding fixing of responsibility has already been initiated. The explanation of the concerned officials has also been called for. Action is in hand to ensure

speedy completion of the proceedings. The Committee will be apprised of the results of the enquiry proceedings.

15. The Committee note with regret that even though more than a year has elapsed since they recommended for fixing of responsibility in the matter of non enforcement of the contract correctly for lease of an aircraft (TU-154) from Aeroflot the process seems to be still in its infancy. They are displeased with the incomplete & vague reply of the Government is so far as it skirts round the aspect of non-maintenance of proper records by IA in respect of the actual number of flights cancelled due to fault of the lessor which was also required to be looked into by Government while taking action in the matter. They, therefore, desire that this aspect should also be enquired into. The probe should be expeditiously completed and the results of the enquiry proceedings and the action taken against defaulting officials of IA as also the steps taken to ensure that such serious lapses do not recur in future should be reported to the Committee within a period of 3 months from the date of presentation of this Report.

D. Completion of Jet Engine Shop

(Recommendation, Serial No. 16 and 17)

16. The Committee had observed that Government had approved in 1984 a project for setting up a modern Jet Engine Overhaul facility at New Delhi costing Rs. 14.95 crores including foreign exchange component of Rs. 4.57 crores. A turnkey contract was awarded in November, 1985 for commissioning of the project in three phases by May, 1988. The project was completed only in July, 1992 after a delay of over four years which contributed to its cost escalation. Moreover, an element of additional work of computerisation of the Test Centre involving a cost of Rs. 1.10 crores was added which was not part of the original project. The Committee were of the opinion that much of the time and cost overrun could have been avoided had the project been conceived and monitored properly.

The Committee had also pointed out that the Corporation failed to impose penalty of Rs. 1.6 crores on the revised cost of the project inspite of such provision existing in the agreement and a favourable legal opinion obtained by the Corporation. What disappointed the Committee more was that it issued a certificate of acceptance of the engine facility in 1990 at the half way stage on a proposal of the contractor. They were surprised to note that the certificate of acceptance was issued before rectification of the discrepancies pointed out by the Corporation during a joint inspection. The contractor failed to carry out the rectification of the discrepancies and replacement of equipment even upto July, 1992. The Corporation also failed to fix responsibility in this case too. The Committee had desired that Government should take steps to fix responsibility for issue of acceptance certificate to contractor and for failure of the Corporation to get the revised costs and additional work approved from the competent authority. They had also desired that the facility should be got completed in all

respects without further loss of time and they be informed of the action taken by Government in this regard.

17. In their reply, the Government have stated that as desired by the Committee, Indian Airlines has already set up a Committee to fix responsibility for the issue of Acceptance Certificate (beneficial occupancy). Further action will be taken on receipt of a report from this Committee. The Committee will be apprised of the action taken by the Indian Airlines in due course.

18. The Committee had recommended for fixing of responsibility for issue of acceptance certificate to the contractor as well as for failure of the Corporation to get the revised costs and additional work approved from the Competent authority. From the reply furnished by Government, it appears that the Committee appointed by Indian Airlines is only looking into the issue of acceptance certificate. The Committee desire that the scope of enquiry should also cover the failure to get approval of additional work from the competent authority. The enquiry should be completed expeditiously and the Committee apprised of the action taken in the matter within three months.

E. Revival of Indian Airlines

(Recommendation, Sl. No. 20)

19. While taking a serious note of the mounting losses being incurred by Indian Airlines, the Committee had called for a thorough review and urgent steps on the part of the Government for the revival of the company and to bring it back on rails to enable it to face the tough and cut throat competition posed by private air taxi operators sequal to the repeal of the Air Corporation Act. The Committee had desired to be apprised of the results of the review and the action taken thereon.

20. The Government have stated that the Indian Airlines is adopting certain strategies for improvement in its performance in the fields of marketing, industrial relations, human resource development, pilots' shortage, profitability and economy.

21. The Committee are not satisfied with the reply furnished by Government. In their recommendation the Committee had called for a thorough review and urgent steps on the part of the Government for revival of Indian Airlines. From the reply furnished by the Government, it is not clear whether any such review has been carried out at all, although some strategies being adopted by Indian Airlines for improvement in its performance have been enumerated. Moreover, the achievement made by the Company in pursuance of such strategies have not been brought out. The Committee, therefore, reiterate that Government should carry out a thorough review into the mounting losses of Indian Airlines and take urgent steps for its revival within three months of the presentation of this Report.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation, Serial Nos. 1, 2, 3, 4 and 5

The Committee's examination of Audit observations in respect of certain aspects of the functioning of Indian Airlines revealed serious lapses, administrative laxity, indecisiveness and delay in taking decisions both on the part of the Corporation as well as Government which resulted in huge losses to the corporation with regard to under utilisation of fleet before and after induction of Airbus A-320s, Wasteful expenditure on training of Pilots and Delay in Commissioning of Jet Engine Shop etc. The Committee's findings in respect of these are dealt with in the succeeding paragraphs.

The Committee note that Indian Airlines contracted for purchase of 19 Airbus A-320 aircraft in 1986 for delivery between June, 1989 and March, 1990 with an option to purchase 12 more aircraft. The Corporation received 15 aircraft between 27th June, 1989 and 9th February, 1990 and put them into commercial operation as and when received. It exercised the option in June, 1989 for delivery of the 12 additional aircraft between December, 1990 and January, 1992.

The Committee regret to note that Government permitted induction of such a large fleet by IA in one single year merely on the presumption that the three year intervening period between 1986 and 1989 as sufficient for induction. They are further distressed to find that Government did not properly assess, scrutinise and evaluate the project report submitted by Indian Airlines inspite of the fact that it involved a major and important decision for introduction of a completely new type of aircraft *viz.* A-320. they did not go into the details of the preparedness of IA for flying this kind of aircraft and simply relied on the Corporation's assessment. The Committee are constrained to observe that the Corporation in turn failed to operationalise the project on two crucial accounts *viz.* training of operational staff *i.e.* Pilots & engineers and setting up maintenance facilities.

The Committee are dismayed to find that Government have not bothered to enquire from the Corporation as to why it could not operationalise the project of induction of A-320 fleet and that there are no records available with Government to verify as to why this was not done. It is disquietening to note that Government expressed its inability to fix

responsibility on officers of the Corporation by taking a stand that the Chief Executive and other high level functionaries of the period 1986-90 have left the organisation. The Committee also find that the representatives of the Ministry on the IA Board also could not do much in operationalising or reviewing the progress of operationalisation of the project for induction of A-320 aircraft.

The Committee also note that the Government suspended the operations of the entire fleet of Airbus (A-320) on 19.2.1990 following a fatal accident in February, 1990 involving one of the Airbus A-320 at Bangalore killing 92 persons on board. Following the accident, a technical Committee under the Chairmanship of Air Marshal S.S. Ramdas found that the IA management lacked the necessary infrastructure and training facilities for their operation coupled with lack of detailed planning and coordination and failure to systematically analyse the magnitude and complexity of the project envisaging induction of a large fleet of sophisticated aircraft.

The Committee regret to note that Government did not permit resumption of A-320 services on one or the other plea despite a successful test flight of one A-320 aircraft in July, 1990 and subsequent evacuation of Indian nationals from the Gulf in September, 1990. The Corporation too, failed to lease any aircraft though it was well aware that even after a decision was taken for reinduction of A-320, all the grounded aircraft could not be put into operation simultaneously. The Committee are further purturbed to know the view of the Secretary, Civil Aviation that accidents provide a painful opportunity to make an appraisal of the shortcomings. They need hardly emphasise that all efforts should in fact be directed towards preventing accidents and not viewing them as opportunities for making appraisals. The Committee, therefore, desire that Government should evolve a system of timely appraisal/reviews of the functioning of the undertakings under their control so that precious lives and huge amounts in foreign exchange are not lost in avoidable accidents.

The Committee are dismayed to find that though Government and the Corporation accepted the Ramdas Committee Report and implemented the recommendations contained therein, the Government or Corporation did not take any action for fixing of responsibilities for the lapses pointed out by the Ramdas Committee. They are further displeased with the stand of the Government that it laid greater stress and were anxious to find ameliorative ways of taking corrective action for lapses rather than going in for punitive action. The Committee are of the firm view that had timely punitive measures been taken, the same would have had definitely a great deterrent effect and such steps are absolutely necessary for better

accountability. At this stage the Committee cannot but express their displeasure over this lapse and desire that in future at least the Government should be more vigilant on this account.

Reply of the Government

The Government have noted the views of the Committee for future guidance.

Comments of the Audit

No comments.

[Ministry of Civil Aviation and Tourism, Department of Civil Aviation, O.M. NO. H. 11013/2/93-ACIA, dated 2nd June, 95]

Recommendation, Serial No. 15

The Committee are deeply distressed to note that due to reluctance of pilots to sign a fresh bond for training and their subtle threats of disobeyance, Government buckled under the pressure tactics adopted by ICPA and sent them for training without insisting upon a fresh bond. In the Committee's view the lacuna in rules was the prime factor in giving a fillip to the exodus of more than 100 pilots from the Corporation to private Air Taxi Operators. This resulted in under utilisation of fleet and the Corporation is suffering a loss of Rs. 94 crores per annum on this account alone. The Committee note with caution the steps Government are taking to check the exodus of pilots and other trained personnel from the Corporation. However, the Committee would like to urge upon the Government to strictly enforce the directives issued to private Air Taxi Operators on employment of personnel from the national air carriers viz. Air India, Indian Airlines etc.

The Committee desire that Government should take adequate steps to enforce and strengthen the IA Service regulations as well as to provide incentives/disincentives for insuring better productivity/poor performance respectively of the IA personnel.

Reply of the Covernment

The Government is strictly enforcing the directive issued to private air taxi operators on employment of personnel from national carriers. The Air Corporations Rules have ceased to exist consequent upon repeal of Air Corporation Act. Since 1990 Indian Airlines has decided that every newly recruited pilot is covered by a bond of Rs. 10 lakhs to serve Indian Airlines for at least 10 years, after initial training and after each subsequent endorsement of higher categories of licence.

Comments of the Audit

No comments.

(Ministry of Civil Aviation and Tourism, Department of Civil Aviation, O.M. NO. H. 11013/2/93-ACIA, dated 2nd June, 95)

Recommendation, Serial No. 19

The Committee note that air traffic estimates are under review by a Committee appointed by Government which was expected to submit its report by the end of December, 1993. The Committee desire that Government should expeditiously process the report submitted to it and apprise the Committee of its findings as well as the action taken thereon.

Reply of the Government

The report has already been submitted by the Committee. The summary of recommendtions of the Committee is at Annexure I.

The Government is taking adequate steps for assessing the aircraft and other infrastructural facilities.

Comments of the Audit

No comments.

[Ministry of Civil Aviation and Tourism, Department of Civil Aviation, O.M. NO. H. 11013/2/93-ACIA, dated 2nd June, 95]

Recommendation, Serial No. 21

As a result of the examination of the subject, the Committee are constrained to find various lapses in the functioning of Indian Airlines, which have been pointed out in the preceding paragraphs. They desire that individual officers responsible for these lapses should be identified and appropriate action be taken against them.

Reply of the Government

Noted for future guidance. Action taken/to be taken against the individual officers has been indicated against the relevant recommendations above.

Comments of the Audit

No comments.

[Ministry of Civil Aviation and Tourism, Department of Civil Aviation, O.M. NO. H. 11013/2/93-ACIA, dated 2nd June, 95]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation, Serial Nos. 9 and 10

The Committee's examination of the audit paragraph on payment of idle wages to flying crew has revealed the fact that the Corporation has not taken any steps till date to recover the interest free advances totalling Rs. 66.12 lakhs paid to Pilots between June 1990 and November, 1991. The interest free advances were in lieu of flying allowances. Surprisingly, these advances were in addition to the normal salary and allowances paid to pilots.

The Committee are constrained to observe that the only explanation for the payment of advances was the hardship being faced by the pilots consequent to grounding of the fleet of A-320 aircraft after the Bangalore crash. It is regrettable that the Corporation did not take any bond or undertaking from the pilots before these payments were made and the management failed to recover the advances despite clear direction from the Board that these amounts were to be treated as advances to be recovered in 12 monthly instalments.

The Committee fail to understand the rationale for making the payment of advances to pilots even upto November, 1991 while it is pertinent to mention here that the services of A-320 aircraft were resumed about a year earlier. It is indeed disquieting to observe that the Corporation failed to discuss with the ICPA, the issue relating to recovery of the interest free advances paid earlier, even at the time of signing an agreement with the Pilots in February, 1993 revising their Meal allowances etc. retrospectively from January, 1990.

The Committee are displeased that despite being aware of the contentious payments made by the Corporation to the Pilots, the Ministry have not given any directions to IA towards its recovery. The Committee also note that the issue of recovery of these advances is still pending final decision of the IA Board. The Committee, therefore, desire that no further time should be lost by Government in taking steps to recover the advances from Pilots. They would also like to be apprised of the action taken in the matter at an early date.

Reply of the Government

After due consideration of all aspects of the issue, and especially the situation arising out of the exodus of pilots from Indian Airlines, it has been decided by the Management and approved by the Board of Directors not to recover this advance from the pilots.

Comments of the Audit

The Ministry has not commented upon the regularity and propriety of Indian Airlines' Board of Directors' Decision for not recovering the advance from the pilots.

Government's Clarification on Audit Observations

The Audit has observed that the Government has not commented upon the regularity and propriety of Indian Airlines Board of Director's decision for not recovering the advance from the pilots.

A large number of pilots from Indian Airlines have resigned and joined private operators thereby drastically reducing the aircraft utilisation. This has been one of the major reasons for the losses incurred by Indian Airlines. Recovery of the advance from pilots would have led to unrest resulting in more exodus of pilots which was not in the interest on the Company.

[Ministry of Civil Aviation and Tourism, Department of Civil Aviation, O.M. No. H. 11013/2/93—ACIA, dated 2nd June, 1995]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation, Serial No. 6 and 7

The Committee note that IA did not take delivery of the remaining 4 aircraft out of the fleet of 19 contracted in 1986, subsequent to the grounding of the entire fleet, following the crash of one aircraft in February, 1990. The Committee take a serious view of the fact that the Government failed to take any action for complete two months on IA's formal request (March, 1990) for appointment of a Committee to conduct negotiations and discussion with Airbus industry for delaying delivery of the remaining four aircraft. It was only in May, 1990 that Government authorised the Corporation to take delivery and resale the 4 aircraft and lease the 14 aircraft (grounded earlier) for a period of six months.

The Committee are surprised to find that no time limit was prescribed by Government for the Committee appointed by the Corporation on resale/lease to submit its report or decide the course of action to be taken in a matter in which the Corporation was expected to take swift and speedy action. Equally appalling is the fact that this Committee took nine long months to deliberate over the issue of resale/lease and all this time, the Ministry also did not find it necessary to call for any status reports from the Corporation, particularly when the prime objective of Government in authorising the Corporation to lease the aircraft was to minimise the cash loss being incurred on the grounded aircraft. What is more disappointing is that the Committee on lease/resale decided in August, 1990 that leasing option need not be pursued any further on the spacious plea that offers received (between US $ 2.0 to 3.5 lakhs per aircraft per month) were below the asking rate of US $ 4.75 lakhs per month per aircraft. It is all the more surprising that the Corporation informed the Government of its decision to this effect only in April, 1991 after a delay of more than eight months. The Committee find that in the ultimate analysis the Corporation landed itself in a penny-wise Pound foolish' situation and lost an opportunity to recover even the cost of depreciation of the A-320 aircraft @ US $ 1.85 lakhs per aircraft per month.

The Committee are constrained to observe that the apathetic approach of the Corporation and the Ministry coupled with delay in arriving at decisions and reversal of decisions etc. at crucial times resulted in the loss

of about Rs. 50 crores which could have been earned had the 14 aircraft been leased even for six months. The Government failed to fix responsibility for the loss in this respect also. The Committee desire that an inquiry be conducted and the Committee may be apprised of the result of the enquiry and the action taken by Government in the matter.

Reply of the Government

A Committee of the Directors of Indian Airlines Board was constituted for leasing of these aircraft. The Committee in their wisdom felt that the sale/lease of Airbus A-320 aircraft need not be pursued. The Committee's report was accepted by Indian Airlines Board. As it was a collective decision of the whole Board, it is not possible to fix responsibility on the individual members of the Board who were in the Committee.

Comments of the Audit

No comments except that fact no enquiry to fix the responsibility for the loss has been conducted as desired by COPU in their recommendation at Sl. No. 7 above.

Government's Clarification on Audit Observations

The Audit has observed that no enquiry has been held by the Ministry to fix the responsibility for the losses as desired by COPU in their recommendations.

As stated in the reply of the Government, it is not possible to fix responsibility on the individual members of the Board as it was a collective decision of the whole Board.

[Ministry of Civil Aviation & Tourism, Department of Civil Aviation, O.M. No., H. 11013/2/93—AC IA dated 2nd June, 1995]

Comments of the Committee

(Please see Paragraph No. 7 of Chapter I of the Report)

Recommendation Serial No. 8

The Committee are distressed to note that there was under utilisation (June, 1989 to January, 1990) of the fleet even prior to grounding of A-320 in February, 1990. The Corporation could attain utilisation of only 5.7 hours per aircraft against the planned utilisation of 7.7 hours per aircraft mainly on account of industrial unrest and resignation of pilots. The Corporation incurred a net revenue loss of Rs. 56.23 crores for the period July to December, 1990.

Besides, the exercise of option by the Corporation for purchase of 12 additional A-320 aircraft despite the under utilisation of the already existing fleet and the subsequent staggering of their delivery schedule also

resulted in cost escalation by about Rs. 53 crores. While the Committee take note of the agreement entered into by Government with ICPA revising the flight duty time limitation enabling pilots to fly longer hours as a measure of improving the capacity utilisation of the existing fleet of A-320, they wish to stress that handling of the entire matter of under utilisation of fleet as a result of grounding of A-320, by IA Board was very casual and left much to be desired. The Committee desire that Government review the whole matter of under utilisation of fleet not only in respect of A-320 aircraft but also other aircraft operated by the Corporation and take corrective measures to improve utilisation particularly in the light of the ever increasing stiff competition posed by private Air Taxi Operators. Every effort must be made to remove general negative impression of the public by providing efficient services. They further desire Government to strictly implement the mandatory guidelines issued recently in respect of operation on non-economic routes by all airlines. The Committee would also like to be apprised of the action taken by Government in this regard.

Reply of the Government

As desired by the Committee the Government have reviewed the whole matter of under utilisation of fleet for all types of aircraft and a Memorandum of Understanding (MoU) will be signed very shortly with Indian Airlines which will incorporate provision for improvement in fleet utilisation also. With effect from 1.12.94, the Air Taxi Operators who have been granted scheduled airlines status will have to operate on uneconomic routes as prescribed in the new guidelines. Deterrent action will be taken against all those operators who do not meet the requirement of providing services in accordance with the guidelines.

Comments of the Audit

In terms of the MoU for 1994-95 signed on 21.12.94, 4% weightage was envisaged for aircraft utilisation. Although the actual performance evaluation of MoU has not yet been done, a test check has revealed that cumulative daily utilisation of aircraft was 5.2 hours (A-300), 6.4 hours (A-320) and 5.8 hours (Boeing) between April, 1994 to January, 1995 as against the budgeted cumulative utilisation of 6.2, 6.9 and 5.6 hours respectively.

A test check also revealed that 8 out of 24 international routes were operated with less than 50% load factor in January, 1995.

As regards 'ON TIME' performance it was noticed that as against the primary delays and cancellations and total delays and cancellations at 89.6% and 66.4% respectively in 1993-94, the primary delays and cancellations ranged between 85.9% to 91.4% and 54.7% to 73.7% respectively during January, 1994 to January, 1995.

The Company failed to achieve the budgeted operating as well as total Revenue during the period April, 1994 to January, 1995.

As against budgeted net profit of Rs. 6.24 crores during the month of January, 1995, there was a net loss of Rs. 3.70 crores. The cumulative net loss (April, 1994 to January, 95) amounted to Rs. 198.30 crores against the budgeted loss of Rs. 91.85 crores.

There is no reduction in over-time payments rather it increased to Rs. 1137.36 lakhs during April, 1994 to January, 1995 from Rs. 1079.13 lakhs during April, 1993 to January, 1994.

As regards operation by Air Taxi Operators (Private Airlines), the Ministry intimated to audit that the all the Air Taxi Operators, who have been granted Scheduled Airlines status and are operating on the trunk routes, are operating on uneconomic routes in North East, Andaman and Nicobar Islands, Lakshadweep and Jammu and Kashmir Sectors.

Governments Clarification on Audit Observations

The Audit has observed that Indian Airlines has envisaged 4% weightage for aircraft utilisation in their MoU 1994-95. The Audit has observed that Indian Airlines was not in a position to utilise the aircraft at the budgeted rate. 8 out of 25 international routes were operated with less than 50% load factor in January, 1995. As regards 'on time performance' it has been noted that the percentage was 89.6 and 66.4 respectively in 1993-94. The primary delays and cancellations ranged between 85.9% to 91.4% and 54.7% to 73.7% respectively during January, 1994 to January, 1995. The Audit has also observed that Indian Airlines was not being able to achieve the budgeted revenue during the period April, 1994 to January, 1995. The Company has also not been able to contain its losses at Rs. 91.85 crores as budgeted. There is also no reduction in overtime payments.

The main reasons for the losses of Indian Airlines are the shortage of pilots and industrial unrest. The reason for the shortfall in the target relating to operations and reveune is also the same.

[Ministry of Civil Aviation & Tourism, Department of Civil Aviation, O. M. No., H. 11013/2/93—ACIA dated 2nd June, 1995]

Comments of the Committee

(Please see Paragraph No. 12 of Chapter I of the Report)

Recommendation Serial No. 20

The Committee also note that the Air Corporation Act, 1953 has recently been repealed by Parliament. The Committee expect that with the appointment of a full time Managing Director in the Indian Airlines and the constitution of a joint Board for Indian Airlines and Air India, the performance of the undertaking would register an all around improvement over the situation as existing now. The Committee take a serious note of the mounting losses being incurred by the Corporation which are likely to

be in the region of over Rs. 250 crores as at the end of the current financial year. In the Committee's view, the health of the Corporation calls for a thorough review and urgent steps on the part of the Government for its revival and to bring it back on rails to enable it to face the tough and cut throat competition posed by private Air Taxi Operators (ATOs) as a sequel to the repeal of the Air Corporations Act. The Committee would like to be apprised of the result of the review and the action taken thereon.

Reply of the Government

The following strategies are being adopted by Indian Airlines for improvement in performance:—

1. Marketing initiatives

Indian Airlines has taken a number of initiatives since 1993-94 to meet the competition as given below:—

- — Increase in passenger comfort
- — Improved inflight service
- — Promotional schemes
- — Imaginative fare increase
- — Waiving of cancellation charges

2. Industrial relations

Productivity Linked Agreement have been signed with 5 of the 8 Unions/Associations and the remaining 3 have been called to finalise similar agreements.

3. HRD initiatives

- — Management by Consultation
- — Transparency in Decision-making
- — Massive Delegation
- — Training programmes for attitudinal changes
- — Objectivity in Recruitment, Promotions and Transfers

4. Measures to deal with Pilots' shortage

- — Immediate response to demands of the ICPA
- — Promotions to give greater flexibility for utilisation
- — Rationalised training pattern to train co-pilots for Command of any type of aircraft. Use of Vayudoot Pilots (28 Commanders) by transfer of 5 to 6 B-737 to Short Haul Department, formed after the recent merger of Vayudoot.

5. Enhancement of Profitability margin

- — Judicious scheduling
- — Route rationalisation with adherence to 3-tier guidelines by the DGCA.
- — Operation of more International Services

6. Economy measures

— Freeing of Recruitment
— Dispensing with, or reducing non-essential activities like staff canteens and transport.
— Reduction in overtime.
— Dispensing with all expenses of Capital nature, unless essential for operational requirements.

STRATEGY FOR THE FUTURE

1. Dealing with shortage of pilots and Engineers.

— Consider payment of competitive salaries.
— Career pattern for pilots which would include:—
  (i) A minimum attractive remuneration, even if the pilot is grounded.
  (ii) Revision in career pattern to train co-pilots for command of any type of aircraft.
— Obtaining Pilot from the IAF.
— Acceleration in training of Engineers.

2. Enhancement of Revenue.

— Route rationalisation.
— Increasing International operations.
— Declaring Jet Overhaul Shop and Central Training Establishment as Profit Centres for offer of services to outside parties.
— Imaginative use of Short-haul Department for a trim Organisation to be run on the lines of ATOs in regions other than the North-East.

3. Continuation of Marketing initiatives.

4. Continuation of HRD initiatives.

Comments of the Audit

Action taken and achievement made by the Management in pursuance of the strategies spelled out by the Ministry have been called for from the Management to verify the efficacy of the strategies.

[Ministry of Civil Aviation & Tourism, Deptt. of Civil Aviation, O.M. No. H. 11013/2/93—ACIA dated 2nd June, 1995.]

Comments of the Committee

(Please see Paragraph No. 21 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Serial No. 11

The Committee note that Indian Airlines leased in an aircraft (TU-154) from Aeroflot for one year from May, 1989 to April, 1990. They are dismayed to learn that the Corporation wrongly paid a penalty of Rs. 50.84 lakhs for shortfall in utilisation of leased aircraft inspite of clear contractual provision that if the lessor failed to make available the aircraft for minimum utilisation of 180 hours per month no penalty is payable by the Corporation. According to the Corporation, the under utilisation was due to the non-availability of the aircraft. The total shortfall in utilisation was 169.29 hours during the one year period. The Committee's examination revealed that the lessor had disputed the veracity of the claim of the Corporation on the actual number of flights cancelled due to fault of the lessor. It was also admitted that the records were not properly maintained by the Corporation in this regard which forced the Corporation to arrive at a negotiated settlement with the lessor, *i.e.* M/s. Aeroflot. It is thus evident, that IA failed to enforce the contract with Aeroflot correctly.

What is more disappointing is that the Corporation has failed to fix responsibility on officers who were responsible for enforcing the contract correctly. The claim of the Corporation that in the light of the ultimate analysis of the negotiated settlement arrived at with M/s. Aeroflot it stands to gain, is incomprehensible to the Committee. The Committee are deeply anguished that the Corporation failed to take any action on the Ministry's directive for fixation of responsibilities in the matter. They desire that Government should take suitable steps to initiate fixing of responsibility for non-enforcement of the lease agreement by the Corporation and probe into the reasons for not maintaining proper records by the Corporation in respect of this contract with Aeroflot. The Committee would like to be apprised of the action taken by Government thereon.

Reply of the Government

Action regarding fixing of responsibility has already been initiated. The explanation of the concerned officials has also been called for. Action is in hand to ensure speedy completion of the proceedings. The Committee will be apprised of the results of the enquiry proceedings.

Comments of the Audit

Since the disciplinary proceedings are reported to be going on, the Ministry is yet to apprise the COPU of the final decision taken against the erring officers of Indian Airlines.

(Ministry of Civil Aviation & Tourism, Deptt. of Civil Aviation, O.M. No. H. 11013/2/93—ACIA dated 2nd June, 1995.)

Comments of the Committee

(Please see Paragraph No. 15 of Chapter I of the Report)

Recommendation Serial Nos. 12, 13 and 14

The Committee find that Indian Airlines sent 152 pilots to Toulouse (France) in 1989-90 for training on A-320 aircraft acquired by it. Of these, 20 A-320 pilots have resigned after completion of training abroad. The Committee are shocked to find that no bond was obtained by the Corporation before sending them for training from all these pilots for serving the Corporation for a minimum period after completion of training. It is disquieting that though the first batch of pilots signed the bond and the subsequent ones led by the ICPA resisted and did not sign the bond. It is pertinent to mention here that most of the pilots sent for training by IA had completed the initial bond period. The amount spent by the Corporation on training of pilot in France and India comes to about Rs. 1.60 crores and Rs. 6.50 crores, respectively.

The Committee are perturbed over the helplessness expressed by the Corporation that the then existing rules of IA did not provide any recourse for recovery of the cost of training from the pilots on resignation. The Committee are of the view that timely action should have been taken by the Corporation to incorporate necessary amendments in the rules.

The Committee's examination of the provisions contained in the Air Corporation Rules, 1954 in respect of the conditions governing an employee's specialised training revealed that Rule 38 of the Air Corporation Rules, 1954 stipulates that an agreement has to be executed binding the employee to serve the Corporation for a specified minimum period before the commencement of the training or in the alternative refund to the Corporation sums paid by it towards the cost of training. The Committee, however, were given to understand to their utter disbelief that the Corporation is not enforcing the said provision as a mandatory requirement but it was rather left to the discretion of the Chairman of the Corporation.

The Committee are constrained to observe that the Corporation did not even point out the lacuna in the rules framed by the Government. The Committee are given to understand that the rule which has now been modified was challenged by ICPA and that the matter is pending for final settlement before the Supreme Court. The Committee would like to be apprised of the outcome of the case.

Reply of the Government

The modified rules extending notice period of resignation from one month to six months and withdrawal of provision for payment of salary in lieu of notice period is still pending final decision before the Supreme Court. The Committee will be apprised of the outcome of the case as soon as the judgement is received.

Comments of the Audit

No comments in view of the fact that the matter is subjudice as reported by the Ministry.

[Ministry of Civil Aviation & Tourism, Deptt. of Civil Aviation, O.M. No. H. 11013/2/93—ACIA dated 2nd June, 1995.]

Recommendation Serial Nos. 16 and 17

The Committee observe that Government approved in 1984 a project of the Corporation for setting up a modern Jet Engine Overhaul facility at New Delhi costing Rs. 14.95 crores including foreign exchange component of Rs. 4.57 crores. The Corporation awarded a turnkey contract in November, 1985 for commissioning of the project in three phases by May 1988. The Committee regret to note that the project was completed only in July, 1992 after a delay of over four years which contributed to the cost escalation of the Project. Not only was the project delayed but an element of additional work of computerisation of the Test Centre involving a cost of Rs. 1.10 crores was added which was not part of the original project. The Committee are of the opinion that much of the time and cost overrun could have been avoided had the project been conceived and monitored properly.

It is further more distressing to note that the Corporation have failed to impose penalty of Rs. 1.6 crores on the revised cost of the project inspite of such provision existing in the agreement and a favourable legal opinion obtained by the Corporation. What is more disappointing is that the Corporation issued a certificate of acceptance of the engine facility in 1990 at the half way stage on a proposal of the contractor. It is further surprising that the certificate of acceptance was issued before rectification of the discrepancies pointed out by the Corporation during a joint inspection were carried out by the contractor. The contractor failed to carry out the rectification of discrepancies and replacement of equipment even upto July, 1992. The Committee are displeased to note that the Corporation also failed to fix responsibility in this case too. The Committee desire that Government should take steps to fix responsibility

for issue of acceptance certificate to contractor before rectification of discrepancies and for failure of the Corporation to get the revised costs and additional work approved from the competent authority. They also desire that the facility should be got completed in all respects without further loss of time. They would like to be informed of the action taken by Government in this regard.

Reply of the Government

As desired by the Committee, Indian Airlines has already set up a Committee to fix responsibility for the issue of Acceptance Certificate (beneficial occupancy). Further action will be taken on receipt of a report from this Committee. The Committee will be apprised of the action taken by the Indian Airlines in due course.

Comments of the Audit

Outcome of the final action taken by the Ministry/Indian Airlines in pursuance of COPU'S recommendation No. 17 is yet to come.

[Ministry of Civil Aviation & Tourism, Deptt. of Civil Aviation, O.M. No. H. 11013/2/93—ACIA dated 2nd June, 1995.]

Comments of the Committee

(Please *see* Paragraph No. 18 of Chapter I of the Report)

Recommendation Serial No. 18

The Committee are constrained to observe that the Engine Shop is running at about 15 percent of its capacity. The Committee desire that the working of the Engine Shop should be toned up urgently with a view to improve the capacity utilisation. They would like to be apprised of the steps taken by Government in this direction within three months of the presentation of this Report.

Reply of the Government

Normally, such facilities take nearly 3 to 4 years for full capacity utilisation. The under-utilisation of the facility is mainly due to low arisings of JT8D aero engines as annual flying of B-737 Aircraft has been reduced progressively due to exodus of Pilots on this particular type of aircraft.

Indian Airlines has taken following steps recently to speed up capacity utilisation of the Shop:

1. Jet Engines Shop has been recognised as a separate profit center.
2. Appointed an exclusive Director and Chief Engineering Manager for Jet Engine Overhaul Complex.
3. Test Cell is being adapted for testing V2500 engines. Pneumatic Power Supply is being augmented for testing V2500 engines.
4. Feasibility study for augmenting the cleaning and electroplating

facility is being carried out to meet the requirements of V2500 engines.

5. The Shop is being geared up to start B-2 level activities for V2500 acro engines.

6. Efforts are being made to obtain outside party jobs.

Comments of the Audit

Reply of the Ministry will be verified on receipt of further information which is awaited from the Management.

[Ministry of Civil Aviation & Tourism, Deptt. of Civil Aviation, O.M. No. H. 11013/2/93—ACIA dated 2nd June, 1995.]

NEW DELHI;
August 22, 1995
Sravana 31, 1917 (S)

KAMAL CHAUDHRY,
Chairman,
Committee on Public Undertakings.

APPENDIX I

MINUTES OF THE 11TH SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1995-96) HELD ON 27TH JULY, 1995

The Committee sat from 15.15 hrs. to 16.30 hrs.

PRESENT

Sqn. Ldr. Kamal Chaudhry—*Chairman*

Members

2. Shri E. Ahamed
3. Shri Prithviraj D. Chavan
4. Shri Oscar Fernandes
5. Smt. Sheela Gautam
6. Shri Anna Joshi
7. Dr. A. K. Patel
8. Shri Syed Shahabuddin
9. Shri Pius Tirkey
10. Shri Jagesh Desai
11. Shri Deepankar Mukherjee
12. Shri Krishan Lal Sharma

Secretariat

1. Shri S.N. Mishra — *Additional Secretary*
2. Shri G.C. Malhotra — *Joint Secretary*
3. Shri P.K. Sandhu — *Director*
4. Shri P.K. Grover — *Under Secretary*
5. Shri C.S. Joon — *Under Secretary*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA*

1. Shri Ramesh Chandra—Dy. Comptroller & Auditor General (Commercial)-Cum Chairman, Audit Board
2. Shri R.N. Ghosh —Director (Commercial)

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*. Present only during consideration and adoption of draft Action Taken Report on Indian Airlines.

I. Consideration and Adoption of Draft Report

The Committee considered the draft Report on the Action Taken by Government on the recommendations contained in the 33rd Report of Committee on Public Undertakings (1993-94) on Indian Airlines-Under utilisation of Fleet; Idle wages to Flying Crew; Avoidable payment on leased Aircraft; Wasteful expenditure on training of pilots; and delay in commissioning of Jet Engine shop as approved by the Action Taken Sub-Committee and adopted the same.

2. The Committee authorised the Chairman to finalise the Report on the basis of factual verification by the Ministry/Undertaking concerned and Audit and to present the same to Parliament.

II. Discussion on 'Sickness in Public Undertakings'

** ** ** **

The Committee then adjourned.

**Minutes of Discussion on 'Sickness in Public Undertakings' kept separately.

APPENDIX II

(Statement to Recommendation Serial No. 19)

Summary and Recommendations

5.1 Domestic passenger traffic registered a long-term trend of about 10% per year during the three decades ending 1987.

5.2 During the years from 1988/89 to 1993/94, the domestic passenger traffic has not shown any growth. This was a period of instability for airline operations in view of grounding of Indian Airlines A-320 fleet in February, 1990, phased reinduction of A-320 aircraft from October, 1990, and unfavourable industrial relations. The statistical models show poor correlation between traffic and economic variables like GDP, industrial production and foreign tourist arrivals. Therefore, data during this period has not been used in model construction.

5.3 The combined domestic traffic of Indian Airlines and Air Taxi Operators is estimated to have increased by about 4% in 1993, over 1992.

5.4 Strong correlation between traffic and GDP is indicated by the forecasting model. Tourism growth also has a significant correlation with domestic passenger traffic growth.

5.5 The conservative and optimistic scenarios of growth indicate long-term annual traffic growth at the rates of 10% and 14.6% respectively with the likely growth of 12.5% upto 2000.

5.6 The overall domestic passenger market is projected to reach a volume of 22.8 million annual passengers by 2000 at a growth rate of 12.5% and 19.5 million passengers at a growth rate of 10%.

5.7 The "Synergy" programme of the Department of Tourism which envisages a target of 5 million tourists in 1996-97, needs an annual growth of 40% in the next 3 years. This translates to an annual domestic traffic growth of 24% including additional traffic from a 5% growth in GDP.

5.8 The current capacity, together with the planned addition by Indian Airlines in 1994, is sufficient to cater to annual growth rates of about 12% in domestic-passenger traffic during the years 1994/95 and 1995/96.

5.9 After curtailment of services by Vayudoot, the feeder network which covers otherwise inaccessible regions of North-East etc., regional business centres and a few tourism routes are not adequately served.

Short-haul operations of this nature entail high unit cost and therefore must be seen in the context of market affordability and the socio-economic objectives of regional development.

5.10 Historical domestic cargo carriage trends had been too erratic to permit statistical modelling. The "Open Sky" policy and the spill over capacity of passenger aircraft is expected to provide a reasonable opportunity for domestic cargo growth.

5.11 Navigational facilities and other infrastructure development work must be accelerated to provide adequate facilities for projected increase in traffic and consequently the additional aircraft operations. The airport plans may be formulated based on the optimistic scenario of traffic growth.

5.12 With the increased operation of ATOS, shorage of aircraft flight and maintenance personnel is already felt. The lead-time involved in the availability of commanders for the modern jet aircraft is of the order of 8-10 years and that of maintenance personnel 3-6 years. Therefore, long-term manpower planning in these crucial areas on an industry basis is essential for sustained growth. Long-term manpower planning should, therefore, be based on the optimistic scenario of traffic growth to obviate shortage in future.

5.13 Policy initiatives will be required to ensure capacity deployment balanced with market demand and socio-economic objectives surplus capacity may lead to unfair trade practices which may be detrimental to the long-term growth of the industry.

5.14 With the liberalization of the domestic civil Aviation Sector and repeal of the Air Corporations Act, many private airlines may enter the market. It is, therefore, felt that in the long-term interest of the industry, every effort should be made to ensure its orderly growth.

Sd/-
(V.A. Valiaparampil)

Sd/-
(P.K. Banerji)

Sd/-
(Dr. G.K. Agarwal)

Sd/-
(A.K. Gupta)

Sd/-
(Ashok Vaish)

APPENDIX III

(*Vide* Para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 33rd Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Indian Airlines—Under Utilisation of fleet; Idle Wages to Flying Crew; Avoidable payment on Leased Aircraft; Wasteful Expenditure on Training of Pilots; and Delay in Commissioning of Jet Engine Shop.

I. Total number of recommendations	21
II. Recommendations that have been accepted by the Government (*Vide* recommendations at Sl. Nos. 1-5, 15, 18 & 21)	8
Percentage to total	38.10%
III. Recommendations which the Committee do not desire to pursue in view of the Government's replies (*Vide* recommendations at Sl. No. 9 & 10)	2
Percentage to total	9.52%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (*Vide* recommendations at Sl. Nos. 6-7, 8 and 20)	4
Percentage to total	19.05%
V. Recommendations in respect of which final replies of Government are still awaited (*Vide* recommendations at Sl. Nos. 11, 12-14, 16-17 and 18)	7
Percentage to total	33.33%